news release

concordia university

□ 1455 de Maisonneuve Blvd. West Montreal, Quebec H3G 1M8 879-2867
□ 7141 Sherbrooke Street West Montreal, Quebec H4B 1R6 482-0320

HOLD for release Feb. 16, 1976

NEW FINDINGS ON GIANT-SIZE CONCENTRATION!!...
FOOD PRICES TOO HIGH EVERYWHERE; CONTROLS URGED

Food prices across Canada are too high in areas where giant corporate chains have most of the business, a report soon to be released by the Food Prices Review Board reveals

The study by Concordia University marketing professor Bruce Mallen recommends controls that would see no further expansion by leading food retailers in cities where they have great market power, and an end to discrimination faced by smaller firms in acquiring shopping centre locations.

The Mallen report (The Levels, Causes and Effects of Economic Concentration in the Canadian Retail Food Trade: A Study of Supermarket Market Power) began in July 1974 to measure the situation in 32 urban markets across the country. It was completed in December 1975, delayed six months by the reluctance of some retail companies to provide basic data.

It shows that

- the concentration levels, or share of market, of the top four supermarket corporations (Dominion, Steinberg's, Safeway, Weston-Loblaw) in Canada's larger urban areas is very high by any standard;
- high concentration is associated with higher prices (through extra profits - those in excess of 2% - and a condition called "overstoring" - the giants having more stores than they really need for the size of a given market, resulting in under-utilization of space);
- high concentration leads to less product variety and less free service (credit, free delivery, telephone ordering);
- the phenomenon of few food firms doing most of the grocery business in major cities has been growing rapidly in the last ten years (in several cities it is over 90% of sales); the Prairies are the most concentrated region, Quebec the least - due to the great role of independent retailers;

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- high concentration does not appear to contribute to inflation (it is guilty of higher levels of prices, but not higher rates of price increase).

What it all means is that the average Canadian is paying something over 4% too much for food, with Westerners taking the biggest beating. "It would appear that an intensive investigation of Edmonton (where excess profits and cost of excess capacity add up to a potential saving of 6.9%), Regina (6%), Winnipeg (6.1%), Calgary (7%) and Victoria (6.3%) is warranted, with a view to implementing tailored concentration action," the report concludes.

Mallen points out that U.S. Senator Philip Hart, chairman of the Antitrust and Monopoly Subcommittee, has introduced a bill proposing that if four firms or less account for 50% or more of sales in an industry they could be subject to court-ordered reorganization. Of the 32 markets studied by the Montreal professor, 28 have concentration levels above 50%.

His next stop with the 171-page report, prepared for the Food Prices Review Board, will be the Royal Commission on Corporate Concentration.

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Malcolm Stone
Director of Information

Note: Bruce Mallen can be reached at 879-2898, 288-3566 or 482-4291.